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**Sustainable development and international economic cooperation:
Implementation of and follow-up to major consensus agreements on
development**

Implementation of the commitments and policies agreed upon in the Declaration on International Economic Cooperation, in particular the Revitalization of the Economic Growth and Development of the Developing Countries

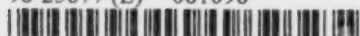
Implementation of the International Development Strategy for the Fourth United Nations Development Decade

Report of the Secretary-General

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I. Background

1. The Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, was adopted by the General Assembly in 1990 at its eighteenth special session as a response to the halt in economic and social progress in many developing countries during the 1980s. According to the Declaration, "the most important challenge for the 1990s is the revitalization of economic growth and social development in the developing countries, which calls for sustained growth of the world economy and favourable external conditions. This major challenge has to be addressed in the context of the increasing interdependence and integration in the world economy".¹

2. Later that same year, the International Development Strategy for the Fourth United Nations Development Decade was adopted at the forty-fifth session of the General Assembly.² The International Development Strategy incorporated many of the principles of the Declaration. It, too, aimed to ensure that the 1990s are a decade of accelerated development in the developing countries and strengthened international cooperation. Although the International Development Strategy did not "seek to establish comprehensive and interrelated sectoral targets to be attained by the developing countries as a whole",³ it did specify that "sustained growth at a rate of the order of 7 per cent would provide the necessary conditions for a genuine transformation of the economy ...".⁴ It further addressed many of the developmental concerns of the United Nations system – including, for example, improved health and special measures for women and children – and singled out six interrelated goals:⁵

(a) A surge in the pace of economic growth in the developing countries;

(b) A development process that is responsive to social needs, seeks a significant in extreme poverty, promotes the development and utilization of human resources and skills and is environmentally sound and stable;

(c) An improvement of the international systems of money, finance and trade so as to support the development process;

(d) A setting of strength and stability in the world economy and sound macroeconomic management, nationally and internationally;

(e) A decisive strengthening of international development cooperation;

(f) A special effort to deal with the problems of the least developed countries, the weakest among the developing countries.

3. Assessments of the progress achieved in implementing these two resolutions were undertaken in 1992 and 1994 by the General Assembly.⁶ Follow-up on these initial evaluations was requested.⁷ In 1994, the Assembly requested the Secretary-General to submit to the Assembly at its fifty-first session a comprehensive and analytical report for the purpose of reviewing and appraising in 1996 the implementation of the commitments and agreements of the Declaration and the International Development Strategy, with particular emphasis on those commitments that were not fully implemented, and to identify the constraints to implementation.⁸

4. That report (A/51/270) concluded, among other things, that since the adoption of the Declaration and the Strategy, as countries deepened their global economic links, there appeared to have been a growing convergence of opinion as to what constituted an "appropriate" economic development strategy, as well as the necessary but not sufficient conditions for development success (para. 118). Indeed, the determinants of long-run economic growth were manifold and the "correct" degree of policy intervention to encourage productivity growth still needed to be investigated. The report also noted that each of the global conferences convened under United Nations auspices had resulted in international consensus on strategies in the conference's particular area of concern and had identified a wide range of supportive measures and actions. Because of the intimate interrelationships between development issues, there were considerable complementarity and synergy between the conference outcomes and the International Development Strategy. Collectively, these conferences pointed to a growing international convergence of views on the necessary ingredients for development, thus refining and advancing both the Declaration and the International Development Strategy (para. 122).

5. In 1996, in response to this analysis, the General Assembly, recognizing the need to strengthen the implementation of the Declaration and the International Development Strategy in the remaining years of the 1990s so as to ensure that the Decade would indeed be one of accelerated development, requested the Secretary-General to submit to the Assembly at its fifty-third session another progress report on the implementation of the Declaration and the International Development Strategy, with particular emphasis on their relationship with and impact on development trends, and on emerging experiences with and

consensus on development strategies.⁹ The present report has been prepared in response to this request.

6. Since mid-Decade, three developments have loomed particularly prominent. The first of these has been the trend towards growing globalization; the second has been the improvement in economic growth in a number of least developed countries in 1995–1997; and the third has been the fallout from the 1997 Asian financial crisis.

II. Developments since 1996: an update

A. Overall growth

7. By 1994, the world economy had come out of its recession of the early 1990s; and in 1997, despite the onset of the Asian financial crisis, world output expanded roughly 3 per cent. Moreover, for the first time in the decade, the total output of all three major country groups – developed and developing countries as well as economies in transition – increased.

8. However, the Asian financial crisis completely altered the immediate and possibly longer-term prospects for developing countries. World output is currently forecast to grow at most 2.5 per cent in 1998, more than half a percentage point less than in 1997. Developing countries, moreover, have been hardest hit.

9. Most disconcertingly, the international economic environment has now become less propitious for most developing countries. The prices of oil and many primary commodities have slipped. Furthermore, exports to the formerly dynamic Asian markets have suffered, as these economies have curtailed imports owing to their adjustment processes. Given financial markets' current trepidation regarding the soundness of emerging economies, borrowing costs have risen. The fact that investment has been cut back in a number of countries may have longer-term implications for their development prospects.

10. While the developing economies managed to maintain their growth momentum in 1996 and 1997, 1998 growth is expected to be under 4 per cent. The slowdown is most pronounced in East and South-East Asia. Indeed, domestic demand in these economies had weakened by the end of 1997. Moreover, the contraction in economic activity was associated with a severe compression of imports, primarily capital goods and intermediate inputs. The sharp rise in unemployment in a number of countries in Asia is a trend that is expected to worsen as a result of waves of lay-offs due to corporate and financial retrenchment.

11. Several Asian Governments adopted a series of sharp adjustment measures, supported by commitments of massive international financial assistance under the aegis of the International Monetary Fund (IMF). These programmes included restrictive monetary and fiscal policies, financial sector consolidation and structural reform. The concern, however, is to what extent all these palliatives will hamper these and other developing countries' long-run development efforts.

12. Meanwhile, other developing economies have, to varying degrees, already felt or will feel a fallout from the Asian crisis.¹⁰ It thus appears that the contagion effects of the Asian financial crisis have not left any part of the developing world entirely untouched. Policies are being reviewed – and sometimes even reversed – in light of the crisis. The concern as the millennium approaches is to what extent these shocks can be accommodated by the right mix of domestic and international policies and what the costs will be in relation to prospects.

B. The social dimension: poverty reduction, education and health

13. Poverty reduction is a major objective of the International Development Strategy. In the short run, the incidence of poverty is determined largely by the rate of growth of the economy, the employment situation, inflation and government policies. In the longer term, overall economic growth and the distribution of income are the most important determinants, as the experience of a number of Asian countries attests. There was also a slight decline in the incidence of poverty in Latin America during the first half of the 1990s. Nevertheless, the number of people living in poverty in the region has continued to increase and reached over 200 million in 1994. Similarly, countries in Africa with rapid gross domestic product (GDP) growth rates – such as Botswana, Mauritius and Tunisia – have reduced the incidence of poverty; but progress is much less clear in economies that have recorded only moderate growth and for only a limited period of time. The sustained growth in South Asia up to 1998 had an encouraging impact on the region's poverty levels. However, poverty remains pressing in a region that now accounts for about 40 per cent of the world's poor, but only about a quarter of global population.

14. While most developing countries have made persistent efforts to educate their children, efforts to educate adults have been limited. Nevertheless, it had been estimated that for the developing countries as a whole, the adult literacy rate rose from 63 per cent in 1985 to over 70 per cent in

1995. The rate for women increased faster, but remains well below the rate for men. The rates are highest in Latin America and the Caribbean and the developing economies of East Asia. The most rapid increases were in sub-Saharan Africa and the Arab States.

15. In addition to rising education standards, there has been an improvement in the health of the population in the developing world in recent years, though standards are still low in many cases. Especially in Africa – where life expectancy had improved somewhat in most countries, despite the economic stagnation of the early 1990s – the health situation in some instances is grim, with little access to health care, and low life expectancy. Indeed, Africa accounts for the vast majority of world deaths from acquired immunodeficiency syndrome (AIDS).¹¹

16. All but a few developing countries also made great strides in reducing the child mortality rate. Nevertheless, one of the striking features is the diversity of these rates. For example, in Latin America, they range from 15 (out of 1,000 live births) in Chile to roughly 100 per 1,000 live births in Bolivia and Haiti.

C. Financial issues: capital flows, aid and debt

17. Underlying increased globalization have been the growing cross-border financial flows, which have become so prevalent since the start of the decade. Total resource flows to developing countries and transition economies have increased dramatically since 1990 – from 98 billion dollars in 1990 to 300 billion dollars in 1997, or about 17 per cent per annum. Private flows as one component of this grew at the rate of almost 30 per cent per year over this period. However, official development finance declined – from 56.4 billion dollars to 44.2 billion dollars.¹²

18. Prior to the eruption of the Asian financial crisis, patterns of net long-term resource flows remained markedly similar to the ones described in the previous report. Moreover, as was the case at mid-decade, foreign direct investment (FDI) flows represented the largest source of finance to developing countries as a whole in 1997. However, from mid-1997, a great deal has altered – the aftershocks of the Asian financial crisis continue to permeate the world economy and reverse former trends.¹³

19. From the second half of 1997, a “confidence crisis” erupted as affected countries took measures to stabilize their currencies and reduce their demand for foreign finance. Then, too, institutional issues – such as the need for

transparency in financial markets and sound prudential management and supervision of financial institutions – came to the forefront. Reforms in these areas, including a rethinking of the desirable pace of capital-account liberalization and new modes of surveillance, will have ramifications well into the next millennium.¹⁴

20. FDI flows to developing countries reached an estimated 85 billion dollars in 1997 – or five times their level in 1990¹⁵. However, 1997 marked a pause in this upward trend, particularly in East Asia, where flows were about the same as in 1996. This drop was offset by a rise in flows to Latin America, attributable to several factors, notably, privatization, improved economic performance and continuing liberalization.

21. However, these flows continue to be highly concentrated. The top 10 developing-country recipients in 1997 received 72 per cent of total FDI to all developing and transition economies. The comparable figure in 1991 was 71 per cent. Nor has there been much of a shift in terms of the recipients. Seven of the 10 were the same in both 1991 and 1997 (see table 1).

Table 1
Ten largest developing country recipients of foreign direct investment (FDI), 1991 and 1997
(Billions of dollars)

1991		1997	
Mexico	4.7	China	37.0
China	4.3	Brazil	15.8
Malaysia	4.0	Mexico	8.1
Argentina	2.4	Indonesia	5.8
Thailand	2.0	Malaysia	4.1
Venezuela	1.9	Argentina	3.8
Indonesia	1.5	Chile	3.5
Brazil	1.1	India	3.1
Turkey	0.8	Venezuela	2.9
Nigeria	0.7	Colombia	2.7
Percentage share of above in FDI to all developing economies and economies in transition:		71.9	70.9

Source: World Bank.

22. Most low-income economies – notably those in sub-Saharan Africa – receive few of these funds. Thus, some 44

per cent of total FDI in 1997 went to economies in East Asia and the Pacific and 35 per cent to economies in Latin America, but only between 2 and 2.5 per cent to countries in sub-Saharan Africa and to countries in the Middle East and North Africa.

23. In contrast with the surge in direct investment, official development finance has declined precipitously since the start of the decade (see table 2). Net official development assistance (ODA) from the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) countries has slipped to the lowest level recorded since the United Nations adopted a target of 0.7 per cent of gross national product (GNP) in 1970, as part of the International Development Strategy for the Second United Nations Development Decade.¹⁶ In 1997, ODA stood at only 0.22 per cent of DAC members' combined GNP. Worse still, the share of bilateral ODA going to low-income countries declined in the 1990s, from 45 per cent in 1991 to 28 per cent in 1996.¹⁷

Table 2
Net official flows of development finance to
developing countries and economies in transition,
1990-1997

(Billions of dollars)

	1990	1995	1996	1997
Official development finance	56.4	54.0	34.7	44.2
Of which:				
Concessional	43.9	45.4	40.1	37.3
Non-concessional	12.5	8.6	-5.5	6.9

Source: World Bank, *Global Development Finance*, 1998, Analysis and summary tables, p. 50, table 3.1; 1997 figures are preliminary.

24. Confronted with scarce flows, donor Governments have of late addressed a great deal of attention to the most effective use of such aid. Fifty years ago, development theorists focused almost exclusively on the objective of increasing GDP, with capital accumulation regarded as the main requirement for growth. Aid was seen as contributing to capital accumulation (human, as well as physical). As of the present time, however, not only is development viewed from a broader vantage point, but it is generally recognized that capital accumulation is a necessary, but far from sufficient, condition for growth.

25. In this context, a great deal of attention is being directed at government policies and, specifically, at the need

for "a stable and credible policy environment, an open and competitive economy, and a focused public sector".¹⁸ Thus, aid has a positive impact on growth in developing countries with sound fiscal, monetary and trade policies. In the presence of poor policies, on the other hand, aid has no effect on growth.¹⁹ Increasing recognition of the importance of the background policy environment has led donors to focus more attention on increasing aid to "good performers".

26. DAC has also set out a strategic agenda of goals to be achieved in developing countries by the year 2015, with the support of ODA, including a reduction by half in the proportion of people living in extreme poverty, universal primary education, the elimination of gender disparities in primary and secondary education, a two-thirds reduction in the mortality rates of infants and children under age 5, a three-fourths reduction in maternal mortality and a reversal of the current trend towards the loss of environmental resources.

27. Unsustainable debt levels are another problem confronting many developing countries. Between 1990 and 1997, external debt grew by almost 60 per cent. Indeed, since mid-Decade, it has grown by over 162 billion dollars. While this debt poses problems for many developing economies, it is a particular burden for the poorest among them. Sub-Saharan Africa and the least developed countries, for example, have the highest ratios of external debt to GNP and of external debt to exports. In recognition of the fact that many of the poorest developing countries continue to face unsustainable debt burdens, the Heavily Indebted Poor Countries Debt Initiative was launched in September 1996.

28. Forty-one economies have been classified by IMF and the World Bank as heavily indebted poor countries (HIPC). The bulk of them are in Africa and, in 1996, they accounted for some 12 per cent of total developing country debt, but for only about 3 per cent and 5 per cent of total developing countries' GNP and exports, respectively. The basic goal of the HIPC Debt Initiative is to reduce the debt burdens of these countries to levels that can be serviced without recourse to further rescheduling, in the context of a sound development programme.²⁰

29. The United Nations System-wide Special Initiative on Africa, launched in March 1996, brings together all United Nations agencies, including the Bretton Woods institutions, with the purpose of maximizing the impact of their combined support for Africa's own development efforts. Indeed, 11 African countries in 1997 achieved economic growth rates of 6 per cent or higher. This growth rate meets or exceeds the target set in 1991 by the General Assembly in its New Agenda for the Development of Africa in the 1990s,

contained in Assembly resolution 46/151 of 18 December 1991, annex, sect. II, for which the Special Initiative became the implementation vehicle.²¹

D. Trade issues

30. World trade has grown at an impressive pace since the start of this decade: about 6.8 per cent per annum, on average, in volume terms, compared with GDP growth of under 3 per cent per year in the same period. In the first half of the Decade, Latin America and the Caribbean, Eastern and Southern Asia and China were the strong traders, on both the export and the import fronts. While the economies of Latin America and the Caribbean have continued this pattern of strong trade growth, Asian export growth slowed. African export growth has been moderate. For 1998, import growth of the developing countries is slowing dramatically largely as a consequence of adjustments to the Asian currency crisis and its contagion effects.

31. At the very least, the movement of goods and services has certainly been facilitated since mid-Decade and here much of the credit may be given to the Uruguay Round of multilateral trade negotiations agreements,²² including the creation as of 1 January 1995 of the World Trade Organization. Substantial liberalization took place in the wake of the Round. Average tariff rates dropped substantially (see table 3). Averages, though, may be deceiving. Such tariff barriers and non-tariff barriers (NTBs) can be very high in specific product areas, making it extremely difficult for exporters to penetrate markets.

Table 3
Tariff averages, pre- and post-Uruguay Round of
multilateral trade negotiations
(Percentage)

	Developed countries	Developing countries	Economies in transition	World
Pre-Uruguay Round	6.2	20.5	8.6	9.9
Post-Uruguay Round	3.7	14.4	6.0	6.5

Source: World Trade Organization, *Focus: Newsletter*, May 1998.

32. A burden weighing on continued trade expansion is the continuing recourse to NTBs to trade, by both developed and developing countries alike. Especially prevalent here are anti-dumping (AD) and countervailing (CV) measures. For example, as of mid-1997, some 150 anti-dumping measures

were in force in the European Union (EU) and about 300 in the United States of America.²³ Moreover, developing countries similarly have started to make greater use of such "trade remedies".²⁴ Indeed, as of 1996, developing countries accounted for over half the anti-dumping actions reported to the World Trade Organization.²⁵

33. ADs, CVs and even quotas are fairly transparent forms of NTB. Thus, although it is not always easy to measure their impact on welfare – via their effects on prices, outputs and trade flows – it is nevertheless not hard to detect their purpose. However, other forms of intervention that are far less transparent are gathering momentum. Included here would be many regulations pertaining to health or safety standards, for example. In some instances, these may constitute a means whereby a Government can restrict imports.

34. The first Ministerial Conference of the World Trade Organization, held in Singapore in December 1996, marked a new phase in the post-Uruguay Round environment inasmuch as significant additional sectoral commitments were made during or following this meeting. Additional commitments to bind duty-free treatment by the year 2000 (or, 2005 for a few developing countries) were made on a most favoured nation (MFN) basis for both informational technology and pharmaceutical products. Trade in such products was valued in 1996 at over \$500 billion (world merchandise exports that same year amounted to \$5,115 billion and world exports of commercial services to \$1,260 billion).²⁶ In February 1997, the Agreement on Trade in Basic Telecommunications Services was concluded, with commitments slated to enter into effect between 1 January 1998 and 2013.²⁷ Finally, a landmark World Trade Organization agreement to liberalize access to the world's financial services markets was agreed to on 12 December 1997.²⁸

35. The Uruguay Round agreements also incorporate a "built-in agenda" which allows for new negotiations in some areas, such as a new round of negotiations on trade in services, scheduled to commence by 1 January 2000, as well as assessments of the situation at specified times in others, such as a review of the implementation of the Agreement on Textiles and Clothing, to be completed by the end of 2001.

36. Moreover, a number of quite new issues are gaining in importance and increasingly coming to the fore in World Trade Organization discussions. One such issue is the proliferation of regional trade arrangements (RTAs). While the formation of RTAs is not a new phenomenon, the debate as to their merits and drawbacks continues.²⁹ However, there can be no a priori conclusion as to whether an economy will

benefit from a particular RTA. Rather, it depends on the scope and coverage of its provisions, and the nature of the enforcement mechanism, as well as the economic circumstances of each member and its policy stances.

37. The 1996 Singapore Ministerial Conference authorized three new working groups: on trade and investment, on competition policy, and on transparency in government procurement. The Conference also called for exploratory and analytical work "on the simplification of trade procedures ...", or trade facilitation. Finally, the question of "core labour standards", though controversial, is increasingly discussed. The Singapore Conference rejected the use of labour standards for protectionist purposes.

38. On balance, the trading environment has become increasingly hospitable – for developed and developing countries alike – in the wake of the Uruguay Round. The impressive growth of world trade over the past few years attests to this fact. However, in the wake of recent events in Asia, a logical concern is what the ultimate trade policy implications of the Asian financial crisis will be.

III. The dual challenges of globalization and growth

39. Since the last report, the term "globalization" has seized the attention of the international community. While this expression refers to a complicated phenomenon, most generally it connotes the growing interdependence of economies – through the increasing volume and variety of cross-border transactions, including goods, services, capital, technology and some labour. Globalization may also refer to transnational corporations fanning out worldwide. On occasion, the term is taken to mean that the production of goods has become more diversified, with one part of a product being made in one locale and another part elsewhere.

40. Several of these aspects of globalization promote efficiency and thus contribute to the most effective use of global resources and the maximization of world output. However, the advantages of globalization for an *individual* economy play themselves out via the benefits of greater openness to a country's welfare. Included here would be the advantages of increased trade, as well as trade-induced technology transfers.³⁰

41. However, the increased openness and growth of world trade mean new challenges and risks, and not only advantages, for a country. A number of such challenges and risks have been identified.³¹ The first of these might be termed the risk of "marginalization".

42. Thus, while globalization is frequently discussed as though it were an all-encompassing phenomenon, in reality many parts of the world are still excluded from the globalization process. Particularly excluded are a large number of low-income developing countries. For example, Africa's share in world merchandise trade in 1996 and 1997 was only about 2.2 per cent, actually down from a share of 2.75 per cent in 1990.

43. The second concern involves what may be termed the "destabilization" effects of globalization – in other words, there is a fear that the growth brought by globalization is inherently and dangerously destabilizing. The Asian financial crisis exacerbated such concerns, in view of the contagion effects on a number of developing countries – and not only ones in Asia – which found themselves impacted despite the fact that they had been following competent domestic and foreign policies.

44. Another concern involves what may be termed "evasion". This means there is a fear that many problems – such as possible environmental degradation or disease – will simply be disregarded rather than tackled in a cooperative fashion. However, in a global environment, efforts to be isolationist may have an extremely high cost for a country, generating a strong argument for international policy coordination in certain areas.

45. Thus, globalization – while a convenient shorthand, as it were, for certain trends in the global economy – is simply a descriptive term. Escalating globalization is neither a recipe for enhancing global welfare, nor a cure-all. While there are definite benefits to globalization, there are risks too, the greatest one being that it may leave the smaller and weaker members of the world trading system at the starting gate. Moreover, it is increasingly evident that the pressures of globalization appear to accentuate the benefits of good domestic policies as well as the costs of poor policies.

IV. The least developed countries

A. Economic performance

46. The least developed countries, comprising a total population of almost 600 million, continue to face numerous structural rigidities, infrastructural bottlenecks, mounting debt overhang and weak institutions. Their aggregate real GDP per capita declined by about 0.9 per cent a year on average between 1991 and 1995. However, 1996 was an exceptional year: the least developed countries' per capita output grew about 2.6 per cent, the highest rate in more than

two decades (see table 4); but with their terms of trade worsening in 1997, GDP per capita growth decelerated to about 1.9 per cent, suggesting that least developed countries remain structurally weak and vulnerable to external shocks. Moreover, between 1991 and 1997, only seven countries – all but one of which were located in Asia – managed to sustain a GDP per capita growth rate of 3 per cent or more.

47. While most least developed countries have undertaken economic reforms since the mid-1980s, the external environment has not always been supportive. Africa's terms of trade – already depressed in the 1980s – declined further between 1991 and 1995. They increased only once in the 1990s, by about 2.8 per cent in 1996, and declined by 0.2 per cent in 1997. Moreover, between 1992 and 1994, drought affected 15 least developed countries and about 13 have been racked by civil war in the 1990s.³²

48. Though stabilization programmes have succeeded in restoring macroeconomic equilibrium in some countries, on balance they have produced limited results. For several decades, structural transformation policies have sought to move least developed countries away from their overwhelming dependence on agriculture; however, most of these economies remain based on agriculture. Agriculture provides 40 per cent of their combined GDP and 70 per cent of employment.³³ In addition, a few of these economies depend mostly on minerals – especially oil, copper and diamonds.³⁴ Their manufacturing sectors are dominated by low technology/low wage production, and/or resource and labour-intensive industries.

49. However, high debt burdens and external factors also compound the problems that these countries' manufacturing sectors face.³⁵ Moreover, the lack of human resources and of institutions that facilitate the smooth functioning of markets handicaps their efforts to expand their manufacturing sectors. To a large extent, therefore, domestic reforms are also necessary to increase the competitiveness of these economies' manufacturing industries. Furthermore, few foreign and domestic investors are willing to risk investing in countries with deficient regulatory environments, infrastructure problems and often unstable economic or political environments.³⁶

50. The recent least developed countries' economic upturn – though modest – needs to be sustained and this will require an acceleration of economic reforms. Moreover, a need for enabling support from the international community is clear. The leaders of the Group of Seven (G-7), plus the Russian Federation, at their summit in Denver in June 1997, reiterated the commitments made in Lyons in 1996 that they would support those least developed countries that were

making real progress in economic reforms and called for a "new global partnership" to help these countries in their reform efforts. At the G-8 Birmingham Summit, held in May 1998, they committed themselves to working within OECD on a recommendation on untying aid to least developed countries and called on those countries that had not already done so to forgive aid-related bilateral debt or take comparable action.³⁷

51. The negative effects of the Asian financial crisis on the least developed countries' growth prospects have yet to be established in full. The export earnings from agricultural commodities and raw materials for least developed countries are falling as prices decline. Asian least developed countries that were benefiting from the countries now in crisis via workers' remittances, aid, loans, FDI and market opportunities may suffer the most. In addition, the competitiveness of Asian least developed countries in labour-intensive exports – such as garments or frozen foods – could be reduced because of the sharp depreciation of currencies in South-East Asia. Asian countries have become important trading partners of African countries in recent years and some of them, such as Malaysia, are an important source of FDI. Thus, the reduced demand emanating from South-East Asia for agricultural commodities and minerals, as well as depressed commodity prices, points to weaker prospects for the African least developed countries.

B. External resource flows

52. Increased reliance of least developed countries on ODA contrasts sharply with the dwindling aid efforts of donor countries. As already noted, the share of overall ODA in the GNP of the 21 DAC countries has fallen to its lowest level ever. Least developed countries, moreover, are disproportionately penalized by this decline. In 1990, for example, aid to least developed countries represented 0.08 per cent of DAC donors' GNP, but fell to 0.06 per cent in 1996. This is well below the target of 0.15 per cent of GNP to be devoted to ODA for least developed countries.³⁸ Indeed, the DAC countries today contribute less of their GNP to the current group of least developed countries, with a population of about 600 million, than they did in 1990 to the then-41 least developed countries, with a population of 430 million.

Table 4
Least developed countries: selected indicators, 1990-1997

	1990	1991	1992	1993	1994	1995	1996	1997
GDP per capita (annual percentage change)	-0.6	-2.3	-2.0	-1.3	-0.5	1.5	2.6	1.9
Exports of goods (billions of dollars)	14.2	14.8	15.0	17.0	17.6	18.5	19.2	15.2
Imports of goods (billions of dollars)	23.8	25.2	27.0	28.6	25.9	25.4	26.6	24.5
ODA (billions of dollars)	16.3	16.3	16.5	15.2	16.3	16.6	14.2	
ODA flows to least developed countries as percentage of donor GNP	0.09	0.09	0.09	0.08	0.08	0.06	0.06	
African terms of trade (excluding South Africa)	1.7	-8.1	-3.5	-1.6	-1.7	-1.8	2.8	-0.2

Sources: UNCTAD, OECD and African Development Bank.

Notes: Two dots (..) indicate data unavailable.

53. The least developed countries have been bypassed by FDI flows despite the increasing magnitude and dynamism of the current investment boom.³⁹ Indeed, in a large number of least developed countries, the ratio of FDI to GDP has fallen over the past decade. Moreover, FDI has remained limited to a handful of countries, and the net inflow has only been about \$1 billion.⁴⁰ The difficulties that the least developed countries are experiencing in attracting private financial resources point to a need to establish conditions that will favour market investment, self-sustaining growth and the attainment of internationally agreed upon development goals.

C. External debt

54. The stock of outstanding external debt of the least developed countries has grown from \$114.8 billion in 1990 to \$134 billion in 1996. The debt-to-GNP and debt-to-export ratios remain high, about three and a half times those for the developing countries as a whole. More than half of the least developed countries are considered "severely indebted".

55. A number of debt-relief schemes for least developed countries and other low-income countries have been set up in recent years. Most least developed countries have benefited from these plans, whether in the form of ODA debt cancellation, rescheduling of official debts in the Paris Club, commercial debt buy-backs or multilateral debt arrangement.

56. Arranging adequate funding is also one of the issues that the World Bank and IMF have to contend with in implementing their special debt relief programmes under the HIPC initiative.⁴¹ The innovation in the HIPC initiative is to bring eligible countries to a sustainable debt position as

an exit strategy, regardless of the extent of relief required. This is also designed to free HIPC countries from a seemingly endless sequence of debt rescheduling and refinancing arrangements, regardless of the soundness of the policies adopted by the debtor countries. In order to make the net debt reduction sufficiently large, however, the HIPC initiative requires deep reductions in the debt servicing owed to bilateral official creditors, which some creditor countries have resisted, and it introduces special processes for reducing the servicing of multilateral debt. The latter element has entailed the creation of special funds at IMF (the Enhanced Structural Adjustment Facility (ESAF)/HIPC Trust) and the World Bank (the HIPC Trust Fund).

57. The HIPC initiative requires potentially eligible low-income and heavily indebted countries to develop a "track record" of sound policy management,⁴² under adjustment programmes that are supported by IMF and the World Bank. HIPC debt relief is thus viewed as the endpoint of a process and an incentive for maintaining sound policies during the process, as well as an informal assurance to the creditors that the resources provided through debt relief will be used effectively. Before the end of the process, which is called the "completion point", when the full debt relief is accorded, an eligible country receives substantial financing and debt relief.

58. Since the HIPC programme was introduced in September 1996, three African least developed countries – Burkina Faso, Mozambique and Uganda – together with one non-least developed country (Côte d'Ivoire) have won commitments of assistance. Uganda was the first country to complete its programme, having reached the "decision point" in April 1998 (at the decision point, the Fund and the Bank approve the content of the final relief package). The total

amount of debt relief expected for these four countries from the international community is almost \$4.5 billion.⁴³ Preliminary discussions are being held for Mali and Guinea-Bissau.

D. Impact of globalization on least developed countries

59. The marginalization of least developed countries might accelerate in an increasingly globalized and liberalized world economy. Least developed countries' exports, imports, investment and GDP remain insignificant compared with those of other developing countries. Least developed countries' share of world foreign investment was estimated at only 0.9 per cent in 1990 and 0.5 per cent in 1996. With regard to exports, least developed countries' share of world exports declined from 0.8 per cent in 1990 to 0.3 per cent in the late 1990s. Least developed countries' export earnings are also small. For instance, in 1997, least developed country exports amounted to \$19.2 billion, which was much less than the figure corresponding to what Argentina alone exported during the same year.

60. The main markets for least developed countries are OECD countries, and – within OECD – the EU countries.⁴⁴ Indeed, least developed countries have been benefiting from the OECD countries' Generalized System of Preferences (GSP) for some time. Recently, the GSP scheme was revised to the advantage of least developed countries, as many OECD countries extended duty-free access to a wide range of additional products. For instance, EU improved its preferential market access for many sensitive products under the Lomé Convention in favour of members of the African, Caribbean and Pacific Group of States (ACP Group), which includes 39 least developed countries. In March 1998, EU extended most of these Lomé preferences to other least developed countries. Canada extended duty-free access to about 200 new products and the United States of America to about 1,800 new products.⁴⁵ Japan had already exempted from tariffs and GSP ceilings virtually all industrial imports from least developed countries. In addition, a number of developing countries also have agreed to provide GSP benefits to least developed countries.

61. The market access problems for least developed countries are not fully solved, however. A considerable number of significant tariffs, including high peak tariffs, continue to apply to some of their most important export products in all major markets. Major gaps in the liberalization of imports from least developed countries include the generally high tariffs on many sensitive

agricultural products, as well as on agricultural imports that exceed tariff quotas and on several food industry products.⁴⁶

62. Moreover, although least developed countries enjoy duty-free or MFN treatment in many OECD countries, especially for many tropical products, their industrial products – such as textiles, clothing, footwear and leather products – are still excluded from GSP benefits and hence are subject to tariffs of up to 30 per cent in some OECD markets.

63. The 1996 Singapore Ministerial Conference, which focused on capacity-building, also adopted a Plan of Action for the least developed countries. In that Plan, developed and developing countries on an autonomous basis agreed to explore the possibilities of granting preferential duty-free access for least developed countries' exports. Subsequently, at the High-level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development, in October 1997, six developing countries (Egypt, Malaysia, the Republic of Korea, Singapore, Thailand and Turkey) declared their intention to introduce preferential or duty-free entry for a range of industrial and selected agricultural products originating from least developed countries within GSP schemes. Chile and Indonesia are examining the possibility of similar schemes. Morocco will introduce duty-free treatment for imports of selected products from African least developed countries. India and South Africa laid their emphasis on special tariff concessions in favour of least developed countries within their respective subregional groupings.

V. Looking to the next millennium

64. As the world economy heads towards the twenty-first century, it faces the challenges of growth and sustainability. United Nations global conferences have been devoted to various aspects of the development process and have changed the perception of what constitutes a viable development strategy. On the international front, thinking about development is increasingly focusing on issues such as poverty eradication and development plans are, once again, incorporating numerical targets.

65. All development strategies, regardless of their vintage, recognize that development is first and foremost a domestic undertaking. Here too, however, perceptions regarding "appropriate" domestic policies have changed in the wake of "globalization", becoming more nuanced. It is thus increasingly recognized that there is a need for policy complementarities, that development is multidimensional

and that policies should be also. Finally, there is a new emphasis on the need for innovative policies to counter the increased vulnerability stemming from greater globalization.

66. Thus, while inflation control is one of the most important policy prescriptions of stabilization packages, recent research suggests that low levels of inflation may not harm economic growth. Second, whereas a significant component in achieving macroeconomic stability is reducing the budget and current account deficits, it is now recognized that there are no simple formulas or policies as regards the optimum levels of these two deficits. Third, whereas output or employment stabilization have often been downplayed, it is increasingly acknowledged that minimizing or avoiding major economic contractions should be one of the most important long-term goals of policy since the social and economic costs of those contractions can be devastating. Fourth, while in the early 1990s many policies were based on the principle of a "minimalist, non-interventionist State", the spotlight has now shifted towards getting "government better-focused on the fundamentals – economic policies, basic education, health, roads, law and order, environmental protection ...".⁴⁷ It is thus currently recognized that goals are much more intertwined than was previously realized and that a broader set of country-specific instruments are hence necessary.

67. What this implies is that not only do a multifaceted set of policies appear to be necessary conditions for growth, but any one policy alone may well not be sufficient.⁴⁸ There therefore is a need for pivotal "policy complementarities" on which development "success" is predicated. Action on a single front does not suffice. Rather, there appear to be mutually reinforcing benefits to policies that are jointly critical for growth. Openness to trade, investment and finance are commonly cited elements of such a "policy package". However, what is also called for is a new emphasis on and need for *innovative* policies, with a greater accent on the risks of globalization and overcoming vulnerabilities.

68. In keeping with a broader policy perspective, Germany, for example, has indicated that its "development cooperation is directed towards three focal areas: poverty reduction, environmental and resource protection, and education and training".⁴⁹ The Danish Government similarly has an objective of poverty reduction and, in order to ensure that its assistance reaches the poor, 18 of the 20 programme countries of the Danish International Development Agency (DANIDA) belong to the group of least developed countries.⁵⁰ The Finnish Cabinet took a decision-in-principle on development cooperation in September 1996, when the Government reaffirmed its commitment to reattain the

0.7 per cent target of national income for development cooperation. As a mid-term step, the Government set out to increase the development cooperation budget to 0.4 per cent of GNP by 2000. The decision-in-principle further upholds the main objectives of Finnish development cooperation, namely, "poverty reduction, combating global environmental threats by assisting developing countries in solving their environmental problems, and the promotion of equality, democracy and human rights".⁵¹ Netherlands development assistance is similarly multidimensional, with a strong focus on social policy, environmental improvements and priority for the poorest countries. At the beginning of 1997, these key goals were translated into five readily measurable aims and will continue to be used as priorities for the 1998 budget. Thus, the largest percentage of this budget in 1998 is allocated to social development.⁵²

69. As is the case with many development plans, Oman and the Niger are similarly focused on a number of multidimensional development objectives.

VI. Role of the United Nations system

70. Since the start of the Decade, major conferences and summits, organized under United Nations auspices, increasingly have focused on the multidimensionality of development, and the topics on which the international community has reached agreement could usefully be embraced in setting development priorities and policies. The series of major United Nations conferences that started at the beginning of the decade ended with the convening of the World Food Summit whereby a commitment was made in the Rome Declaration on World Food Security⁵³ for an ongoing effort to eradicate hunger in all countries. The General Assembly conducted a five-year review of the United Nations Conference on Environment and Development in June 1997; other five-year reviews are scheduled, in 1999 for the International Conference on Population and Development, in 2000 for the World Summit for Social Development and the Fourth World Conference on Women, and in 2001 for the United Nations Conference on Human Settlements (Habitat II). The Economic and Social Council has also been actively promoting an integrated and coordinated follow-up process to the major United Nations conferences. A special session of the Council devoted to this issue was held in May 1998. An informal meeting will be held in 1999 to consider the work being carried out by the United Nations system and other relevant international and national institutions on basic indicators to measure progress towards the implementation of the

integrated and coordinated follow-up of the major United Nations conferences and summits.

71. Building on the outcome of recent United Nations conferences and other relevant agreements, the General Assembly, by its resolution 51/240 of 20 June 1997, adopted the Agenda for Development as set forth in the annex to that resolution to invigorate a renewed and strengthened partnership for development. That instrument singles out the major components of development – such as economic growth, trade, finance, science and technology, poverty eradication, employment and human resources development – and places new emphasis on the role of democracy, human rights, popular participation, good governance and the empowerment of women. As such, it provides an all-encompassing framework for international cooperation on development. It further represents a major step in articulating an international consensus on the diversity of views concerning the goals and requirements for socio-economic development. Finally, it provides an action-oriented synthesis of the multifaceted agendas addressed by the major United Nations conferences of the 1990s.

72. The International Development Strategy stressed that the reactivation and acceleration of development requires both a dynamic and supportive international economic environment and determined policies at the national level.⁵⁴ The International Development Strategy also envisaged that the United Nations should play its role in this area as set forth in the provisions of the Charter of the United Nations relating to the functions of the Economic and Social Council in the coordination of macroeconomic policies and management at the international level.⁵⁵ To this end, the Council has held a high-level policy dialogue each year with the heads of international financial and trade institutions. In particular, the Council, at its 1997 high-level segment, addressed the theme "Fostering an enabling environment for development: financial flows, including capital flows, investment and trade" and adopted agreed conclusions 1997/1⁵⁶ which is being followed up by the United Nations system in accordance with General Assembly resolution 50/227.

73. The International Development Strategy emphasized that the work of the United Nations system should be given greater coherence by closer inter-agency cooperation and coordination and by organizational measures that strengthen the contribution of the system to development.⁵⁷ In this regard, the Administrative Committee on Coordination (ACC) has recognized the importance of elaborating common policy objectives, pursuing all opportunities for programme cooperation and effectively pooling together capabilities and resources throughout the system, at both the

headquarters and field levels. The work completed and the recommendations made by the ad hoc ACC inter-agency task forces provide a solid basis for continued efforts to mobilize United Nations system support for the coordinated follow-up to conferences. The strong sense of commitment and cooperation developed among the organizations of the United Nations system participating in the task forces has led to a greater awareness of the need for continued dialogue among the United Nations system agencies, as well as between the organizations of the United Nations system and national Governments, in order to achieve the objectives of the conferences.

74. Inter-agency coordination continued to be strengthened in various areas. For example, in the area of rural development and food security, ACC in April 1997 endorsed the proposal by the Food and Agriculture Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD) to establish the ACC Network on Rural Development and Food Security to replace the former ACC Subcommittee on Rural Development. At the country level, the Network consists of thematic groups on rural development and food security established within the United Nations resident coordinator system. At the headquarters level, the Network includes 20 interested United Nations organizations which participate in and support the country-level groups. The Network, which is being jointly coordinated and supported by FAO and IFAD in close cooperation with the World Food Programme (WFP), constitutes the mechanism for inter-agency follow-up to the World Food Summit. Furthermore, FAO and WFP have undertaken joint training activities on food security issues.

75. Collaborations between the World Bank and WFP at the field level cover almost all of the major areas of development activities supported by food aid, including the management of natural resources, the rehabilitation and development of physical infrastructure, the development of human resources and the increasing of employment opportunities for the poor.

76. WFP, the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children's Fund (UNICEF), the World Health Organization (WHO), the International Labour Organization (ILO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO) also work closely with one another. A memorandum of understanding between UNHCR and WFP focuses, among other things, on beneficiary identification and needs assessments, monitoring and reporting, commitments to women and children and development of joint plans of actions in the field. The

memorandum of understanding between WFP and UNICEF covers important aspects of mutual responsibilities for providing comprehensive assistance programmes related to sanitation, health, water and protection of children.

77. The International Development Strategy provided that the relevant organs and bodies of the United Nations system should undertake follow-up measures pertaining to the Uruguay Round of multilateral trade negotiations.⁵⁸ At its substantive session of 1998, the Council conducted a high-level debate on the theme of "Market access: developments since the Uruguay Round, implications, opportunities and challenges, in particular for the developing countries and the least developed among them, in the context of globalization and liberalization". At the end of the debate, the Council, for the first time in its history, adopted a ministerial communiqué (E/1998/L.13) which provided a political impetus to the trade negotiations under the auspices of the World Trade Organization.

78. In food and agriculture policy, FAO has intensified its activities over the past two years in assisting developing countries with integrating trade policy into an overall agricultural policy and in assessing the implications of bilateral and multilateral policy reforms, especially under the Uruguay Round Agreement on Agriculture. FAO, in cooperation with the World Trade Organization, also provides technical assistance to member countries on issues related to food standards, quality and safety. FAO is also participating with other international organizations in implementing the Plan of Action for the Least Developed Countries adopted by the World Trade Organization Ministerial Conference in Singapore aimed at improving the overall capacity of the least developed countries to respond to the challenges and opportunities offered by the new trading system.

79. The United Nations Environment Programme (UNEP) is collaborating with the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization to develop guidance and identify the ways and means to so promote international cooperation as to make environmental and trade policies mutually supportive to further sustainable development. UNEP, in collaboration with FAO, recently achieved intergovernmental consensus on the text of a Convention on Prior Informed Consent (PIC) Procedures for Certain Hazardous Chemicals and Pesticides in International Trade. The Convention will establish an international alert list and help developing countries obtain necessary information to protect themselves from adverse health and environmental impacts of trade in hazardous chemicals and pesticides.

80. The eradication of poverty and hunger, greater equity in income distribution and the development of human resource remain major challenges. Poverty eradication continues to be a priority objective for ACC members. ACC adopted a policy statement of commitment for action to eradicate poverty, emphasizing the need for common priorities and calling for action to address poverty on a broad front, with the full involvement of Governments and all other development actors in society. It also called for the empowerment of the poor, their active involvement and participation in poverty reduction strategies, and improved access by the poor to institutions, such as those in the political and judicial systems. The need was stressed for policies and conditions for the enabling of developing countries, particularly the least developed among them, so that the benefits brought about by globalization in trade, investment and technology transfer can be shared by all.

81. Through their activities, the organizations of the United Nations system contribute to poverty eradication. WFP helps build assets and promotes self-reliance of the poor through food-for-work projects. A strong emphasis is being placed on empowerment of women; some of the key commitments include: targeting 60 per cent of programme resources to women in circumstances where gender inequalities are most serious; allocating education resources (50 per cent) within a country programme so as to target girls; increasing women's access to decision-making over project design and food management; and increasing the collection and analysis of gender-disaggregated data and systematically monitoring direct benefits to women.

82. Poverty alleviation activities in UNESCO's Management of Social Transformations (MOST) programme emphasize fostering the action capacities of the poor, with a number of projects in areas such as urban development, cultural and ethnic causes of poverty, poverty elimination in rural zones, and women and poverty. Within the MOST clearing house, UNESCO has established a best practices data bank, focusing on poverty eradication and social exclusion, whose function is to collect and disseminate information on projects from all over the world in order to assist in creating effective solutions in regard to poverty eradication and social exclusion, economic development, homelessness, women and gender equality and community participation. As part of the MOST clearing house, an information system on microcredit programmes will be established in cooperation with the Grameen Bank.

83. With regard to activities in human resource development and capacity-building, UNESCO has provided formal and non-formal education and training in relation to productive activities, particularly of girls and women, in

poor areas. WFP also supports human resource development through its food aid projects; it works to prevent the transfer of poverty to future generations through its supplementary feeding programmes which often complement other programmes for nutritional monitoring, nutritional education, immunization and promotion of proper health and nutrition practices.

84. Targeting illicit supply of narcotic drugs and promoting rural development should be an integral part of a poverty eradication strategy. To support Governments' efforts in the developing countries, the United Nations International Drug Control Programme (UNDCP) has developed technical cooperation in promoting programmes for alternative development as a means to suppress the illicit cultivation of opium poppy and coca bush. The volume of assistance by UNDCP to alternative development by region from 1987 to 1996 is as follows: \$151.3 million to Latin America (58 per cent of total UNDCP investment in alternative development); \$58.0 million to South-west Asia (22 per cent); and \$52.4 million to South-East Asia (20 per cent).

85. The deterioration of the environment remains a cause of grave concern for all countries as noted in the Declaration and the International Development Strategy. UNEP's activities contribute to advancing technical and economic cooperation among countries, which is a notable aim of the International Development Strategy, the Declaration and the Agenda for Development. As an implementing agency of the Global Environment Facility (GEF), UNEP assists countries in developing and implementing activities aimed at achieving global environmental benefits by way of fulfilling their commitments under the conventions on biodiversity,⁵⁹ climate change,⁶⁰ and the ozone layer, and under agreements to control pollution in international waters. Recent global agreements in the environmental field, notably on climate change, biodiversity, the ozone layer and hazardous wastes, may be seen as having provided a stimulus both to international economic cooperation and to development cooperation.

86. In response to the policy directives of the General Assembly and the global conferences on environment and development, UNEP defined its mission, recast its programme structure, focus and content, and revised the modalities of its work with an emphasis on decentralization, partnerships, cultivation of new constituencies and strengthening of old alliances. In order to assist the international community more effectively in its efforts to reverse environmental degradation, and to facilitate UNEP's role in promoting the coherent implementation of the environmental dimension of sustainable development, the

Governing Council of UNEP at its 19th session, in 1997, specified the role and core elements of the focused mandate of the revitalized UNEP.⁶¹ In addition to its role as a consensus-builder on environmental policy, UNEP has also been called upon to play a facilitating and coordinating role in mobilizing international assistance to address environmental emergencies (for example, the Indonesian forest fires).

87. WFP uses its food resources to help protect and enhance the environment in the context of hungry poor communities. WFP's intervention includes employment through forestry, and soil and water conservation food-for-work activities, incentives to improve household food security and agricultural production through small-scale irrigation, and support to rehabilitate and protect land resources.

88. Less than two years from a new millennium, many of the goals and objectives set out in the Declaration and the International Development Strategy remain unattained. Achievements, for example, have fallen far short of the sustained 7 per cent growth rate mentioned in the International Development Strategy. To make further progress will require action on both the domestic and international fronts. It is certainly not difficult to justify concerted international activities, as the components of the global economy are more than ever intertwined. The recent Asian financial crisis attests to this. Strong measures must be taken by the international community to provide the supportive external environment called for in the Declaration and the International Development Strategy so as to promote the broad vision of development, as defined by the global United Nations conferences of the 1990s.

89. However, a development strategy is no stronger than its weakest link. Hand in hand with activities on the international front, appropriate domestic policies must be formulated. Here there is growing recognition of the need for a "unified approach" to development and for an appropriate country-specific policy mix. A multidimensional set of policies appears to be necessary; any single policy alone may well not suffice. There therefore appear to be critical policy complementarities on which development success is predicated. What this in turn calls for is a new emphasis on and need for innovative policies, with a greater accent on managing globalization and overcoming vulnerabilities. It is incumbent upon all members of the global community to tackle this task in concert.

90. The policy response to the new reality of a "globalized world economy" is critical. How effectively openness is dealt with is critical. In a globalized economy, reforms in the

areas of macroeconomic policy, trade policy, deregulation and privatization have to be matched by deeper reforms of political institutions, bureaucracy and the judiciary, as well as by the creation of social safety nets. Thus, a domestic strategy of institutional reform, among other things, must complement the external strategy of opening up. However, the appropriate role of the State and its various institutions "changes with the level and specific challenges of development".⁶² The appropriate policy mix and institutional reform, therefore, has to be considered on a country-by-country basis.

Notes

- ¹ General Assembly resolution S-18/3 of 1 May 1990, annex, para. 12.
- ² General Assembly resolution 45/199 of 21 December 1990, annex.
- ³ Ibid., para. 18.
- ⁴ Ibid., para. 17.
- ⁵ Ibid., para. 14.
- ⁶ See the reports of the Secretary-General on the Declaration (A/47/397), on the Strategy (A/47/270-E/1992/74) and on the implementation of the Declaration and the Strategy (A/49/328).
- ⁷ General Assembly resolutions 47/152 of 18 December 1992 and 48/185 of 21 December 1993.
- ⁸ General Assembly resolution 49/92 of 19 December 1994.
- ⁹ General Assembly resolution 51/173 of 16 December 1996.
- ¹⁰ For details, see *World Economic and Social Survey, 1998* (United Nations publication, Sales No. E.98.II.C.1 and corrigenda), chap. II.
- ¹¹ Life expectancy declined in some countries in Africa – notably, those affected by the spread of human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS). Furthermore, Africa is the only region where countries have experienced increasing malnutrition rates since the early 1990s. The percentage of underweight children rose in a number of countries with stagnating economies. See UNICEF, *The State of the World's Children* (Oxford, United Kingdom, Oxford University Press, 1998).
- ¹² World Bank, *Global Development Finance, 1998*, Analysis and summary tables, p. 3.
- ¹³ See report of the Secretary-General on net flows and transfer of resources between developing and developed countries (A/53/228).
- ¹⁴ For a discussion of measures to reduce the risk of vulnerability to financial crises, see *World Economic and Social Survey, 1998* (United Nations publication, Sales No. E.98.II.C.1), chap. I; United Nations Conference on Trade and Development (UNCTAD), *Trade and Development Report, 1998* (United Nations publication, Sales No. E.98.II.D.6); and "Global financial flows and their impact on the developing countries: addressing the matter of volatility: report of the Secretary-General" (A/53/398).
- ¹⁵ *World Economic and Social Survey, 1998* ..., table A.25.
- ¹⁶ General Assembly resolution 2626 (XXV) of 24 October 1970, para. 43.
- ¹⁷ This was due, in part, to the fact that in many large recipients, civil war or economic or political conditions precluded provision of substantial ODA.
- ¹⁸ Joseph E. Stiglitz and Lyn Squire, "International development: is it possible", *Foreign Policy*, spring 1998.
- ¹⁹ Craig Burnside and David Dollar, *Aid, Policies and Growth*, World Bank Working Paper, No. 1777 (Washington, D.C., World Bank, April 1997).
- ²⁰ The World Bank took the lead in coordinating some 20 multilateral creditors. IMF took the lead with bilateral creditors. Meanwhile, the Paris Club stated that it was willing to increase the concessionality of debt rescheduling from 67 to 80 per cent ("Lyons terms") in the context of the HIPC Debt Initiative.
- ²¹ For details on the United Nations System-wide Special Initiative on Africa programme, see Department of Public Information of the United Nations Secretariat, DPI/1970, March 1998.
- ²² See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).
- ²³ Peter Hoeller, N. Girouard and A. Colecchia, "The European Union's trade policies and their economic effects", OECD, Economics Department Working Paper, No. 194, 4 May 1998.
- ²⁴ For instance, Mexico had about 100 such actions in force as of mid-1997 (Peter Hoeller, N. Girouard and A. Colecchia, loc. cit.).
- ²⁵ World Trade Organization, Committee on Anti-Dumping Practices, document G/ADP/N/35/ARG, 27 March 1998.
- ²⁶ For further details, see World Trade Organization, *Annual Report, 1997* (Geneva, 1997).
- ²⁷ See World Trade Organization, *Annual Report, 1997* (Geneva, 1997).
- ²⁸ For further details, see World Trade Organization, *WTO Focus Newsletter*, No. 25, December 1997.
- ²⁹ Indeed, between 1947 and early 1995, the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization had been informed of the creation of more than 100 regional agreements (though not all remain operative). In February 1996, the World Trade Organization decided to establish a Committee on Regional Trade Agreements. One issue was how countries that are parties to RTAs should report on their operations, with efforts being made to standardize the reporting format (see World Trade Organization, *Trading into the Future*, 2nd ed. (Geneva, February 1998).

- ³⁰ Those who focus on the effects of technology transfers maintain that "opening up to international trade is formally equivalent, in all economic respects, to technological progress. Both result in a larger economic pie at the possible cost of some redistribution of income" (see Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, D.C., Institute for International Economics, March 1997), p. 31).
- ³¹ Peter D. Sutherland and John W. Sewell, "The challenges of globalization", commentary by Overseas Development Council Staff, 1998.
- ³² *World Military and Social Expenditures, 1993*; and *World Economic and Social Survey*, various years.
- ³³ For further analysis, see UNCTAD, *The Least Developed Countries: 1995 Report: Mid-term Review of the Programme of Action* (United Nations publication, Sales No. E.95.II.D.2), chap. III entitled "The manufacturing sector of LDCs: performance, issues and policies".
- ³⁴ The majority of least developed countries' exports are concentrated in just two or three products accounting for over 70 per cent of total exports. Least developed countries' major export products are crude petroleum, coffee, diamonds, cotton, jute, copper, cobalt, fish and seafood, tropical wood and bananas. In addition, almost all products are exported at the raw material level. See World Trade Organization, "Market access for the least developed countries: where are the obstacles?", paper prepared by the OECD secretariat, WT/LDC/HL/19*, 21 October 1997.
- ³⁵ See A. Adenikinju and S. Olofin, "Economic policy and manufacturing sector growth performance in Africa", University of Ibadan, Ibadan, Nigeria, 1998.
- ³⁶ World Trade Organization, "Market access for the least developed countries: where are the obstacles?", paper prepared by the OECD secretariat, WT/LDC/HL/19*, 21 October 1997, p. 13.
- ³⁷ See communiqué, The Birmingham Summit, 15–17 May 1998, para. 7.
- ³⁸ UNCTAD, *Programme of Action for the Least Developed Countries for the 1990s* (United Nations publication, Sales No. E.91.II.D.20).
- ³⁹ For example, sub-Saharan Africa, where the bulk of least developed countries are located, received on average \$27 per capita of aid and \$3 per capita of FDI in 1997. In contrast, Latin America and the Caribbean received \$13 per capita of aid and \$62 per capita of FDI. Recent initiatives to spur development progress in Africa aim to respond to these disparities (source of estimates: OECD news release, 18 June 1998, p. 1).
- ⁴⁰ In 1996, the largest least developed country recipient of FDI was Angola with an estimated inflow of \$290 million; the United Republic of Tanzania, the second largest recipient, received \$190 million and Uganda \$135 million. The rest of African least developed countries have received FDI flows ranging between \$1 million and \$30 million. With \$36 million, Vanuatu was the largest beneficiary among the Pacific island least developed countries, followed by Solomon Islands. Many least developed countries did not receive FDI flows in 1996 and some of them have not been recipients since 1991 (source of data: UNCTAD, FDI/transnational corporation database).
- ⁴¹ The present section draws heavily on *World Economic and Social Survey, 1998*, chap. III.
- ⁴² The track record is generally expected to require six years to complete, but the commitment of the international community to the final arrangement is signalled roughly halfway through the period when the Boards of the Fund and the Bank approve the content of the final relief package. That agreement is reached at what is called the "decision point".
- ⁴³ Alassane D. Ouattara, Deputy Managing Director, IMF, informal briefing of the Second Committee of the General Assembly entitled "Africa: recent development and globalization", New York, 18 June 1998, p. 3.
- ⁴⁴ "Market access: developments since the Uruguay Round, implications, opportunities and challenges in particular for the developing countries and the least developed among them, in the context of globalization and liberalization" was the main theme of the high-level segment of the substantive session of 1998 of the Economic and Social Council which took place in July 1998. The secretariats of UNCTAD and the World Trade Organization jointly prepared the report for discussion (E/1998/55, annex). See also the draft ministerial communiqué submitted by the President of the Council (E/1998/L.13).
- ⁴⁵ The present section draws heavily on the aforementioned report prepared by the secretariats of UNCTAD and the World Trade Organization (E/1998/55).
- ⁴⁶ See E/1998/55, annex, para. 46.
- ⁴⁷ Joseph E. Stiglitz, "More instruments and broader goals moving towards the post-Washington Consensus", 1998 United Nations University, World Institute for Development Research Annual Lecture, *Transition*, World Bank, June 1998.
- ⁴⁸ See, for example, Jahangir Aziz and Robert F. Westcott, *Policy Complementarities and the Washington Consensus*, IMF Working Paper (Washington, D.C., September 1997).
- ⁴⁹ Reply of Germany.
- ⁵⁰ Ministry of Foreign Affairs, *Denmark's Development Assistance, 1996* (DANIDA, Denmark).
- ⁵¹ Reply of the Government of Finland.
- ⁵² Netherlands Ministry of Foreign Affairs, *The Netherlands International Cooperation Budget, 1998*, December 1997.
- ⁵³ See *Report of the World Food Summit, 13–17 November 1996, Part one* (WFS 96/REP) (Rome, Food and Agriculture Organization of the United Nations, 1997), appendix.
- ⁵⁴ *Official Records of the General Assembly, Forty-fifth Session, Supplement No. 41* (A/45/41), para. 21.
- ⁵⁵ *Ibid.*, para. 107.
- ⁵⁶ See A/52/3, chap. II, para. 5.
- ⁵⁷ *Official Records of the General Assembly, Forty-fifth Session, Supplement No. 41* (A/45/41), para. 105.
- ⁵⁸ *Ibid.*, para. 106.

⁵⁹ See United Nations Environment Programme, *Convention on Biological Diversity* (Environmental Law and Institution Programme Activity Centre), June 1992.

⁶⁰ A/AC 237/18 (Part II)/Add. I and Corr. 1, annex I.

⁶¹ See the Nairobi Declaration on the Role and Mandate of the United Nations Environment Programme, as contained in *Official Records of the General Assembly, Fifty-second Session, Supplement No. 25 (A/52/25)*, annex, Governing Council decision 19/1 of 7 February 1997.

⁶² See *World Economic and Social Survey, 1998 ...*, "An overview", twentieth paragraph.